Title: LANL's Digital Supply Chain Transformation with Ariba

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LANL's Digital Supply Chain Transformation with Ariba

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Who We Are…

- Los Alamos National Laboratory is currently managed by Triad National Security LLC, composed of Battelle, Texas A&M University System and the University of California

- Located in Los Alamos, NM about a 45 minute drive northwest of Santa Fe

- Established in 1943 as part of the Manhattan Project to build the first Atomic Bomb during WWII

- What we do today:
  - Nuclear Deterrence Stockpile Stewardship
  - Protecting against Nuclear Threats
  - Emerging Threats, Cybersecurity
  - Energy Security Solutions

LANL's Journey to a Supply Chain Transformation

- LANL's budget continues to increase. Our annual procurement spend has increased from approximately 750 million two years ago to 1.4 Billion in FY21

- Procurement for LANL is a mix of indirect and direct but had limited managed spend – more standalone orders vs master contracts

- The level of transformation we were looking to achieve required a comprehensive approach, encompassing people, processes and software solutions
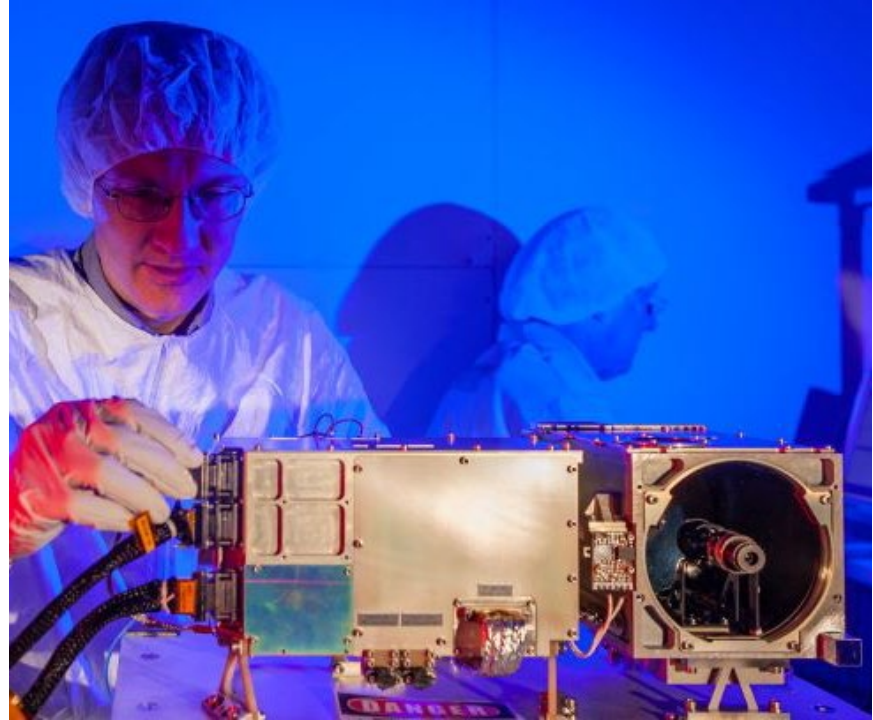
ASM embarked on a major transformation initiative of procurement at LANL

Four Pillars Guided our Transformation

STRATEGY

Redefined approach to managing procurements

STRUCTURE
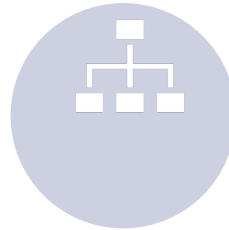
Realigned resources, with deployed and centralized teams

SKILLS

Enhanced ASM knowledge, skills and abilities to better support LANL

SOLUTIONS

Focused on modernizing and streamlining our procurement systems and processes

Our transformation also addresses several of the goals identified within the Lab Agenda — *namely, improving systemic processes, enhancing small business participation and strengthening our community commitment*.

Programmed transformation benefits

STRATEGY

- Divisional Procurement talent will manage a portfolio of transactions
- Divisional Procurement talent will be supported by a Supplier Management, Sourcing and Operations pool
- Category managed spend benefits from catalog-based ordering, decreased cycle times, and compliance
- Regional recruitment effectiveness enhanced

STRUCTURE

- Corresponds to how modern procurement functions are structured
- Consistent with the SAP Ariba solution user model
- Creates meaningful roles for entry-level talent
- Corresponds to how college Supply Chain Management curriculum is structured
- Creates opportunities for lateral and upward promotions

SKILLS

- Structure facilitates deep functional expertise
- Ability to recruit across industries, especially in Supplier Management, Sourcing and Operations
- Highly-specialized 3rd party training content for "K3"
- Focused thought leadership available from new value-added suppliers (e.g., Procurement Leaders)

SOLUTIONS

- "Guided Buying" experience demystifies requisitioning
- Self-service, cross-catalog searching provides a consumer-like experience
- Most transactions become "light touch" or "touchless"
- Flexible transaction workflows
- Visibility into contracts and transaction status
- Visibility for suppliers regarding invoicing

Spend segmentation is a foundational strategy

BUSINESS IMPACT / RISK (Higher / Lower)

T2 - CATEGORY MANAGED
- **S1:** Optimized / maximized across ALDs
- **S2/S3:** Managed by top talent, strategic sourcing process
- **S4:** Benefits are fully realized through platform ease of use and its features and functions

T1 - STRATEGIC
- **S1:** Tight ALD and Procurement partnership, high-dollar/risk
- **S2/S3:** Managed by sr. talent; sourcing / contracting intensive
- **S4:** Benefits from "fit-for-purpose" Ariba buying channels / platform flexibility

T4 - TAIL / SPOT BUY
- **S1**: Transactions are largely "self-service" and leverage a marketplace
- **S2/S3**: Single category manager of the marketplaces
- **S4**: Focus on automation to reduce human touch

T3 - TACTICAL
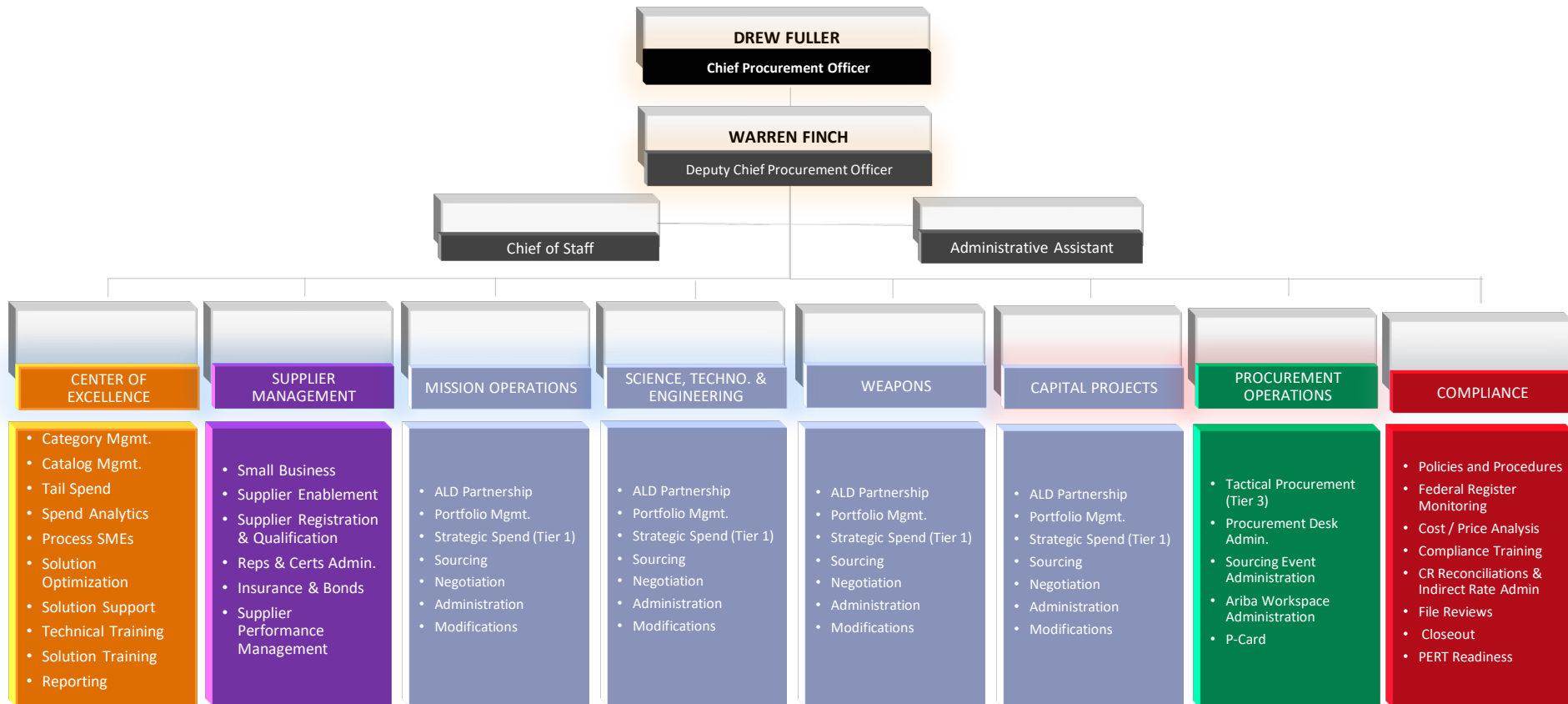- **S1**: Lower-dollar/risk buys
- **S2/S3**: Managed by Procurement Operations team, support to T1 & T2 resources
- **S4**: Reliance on SAP Ariba Procurement Desk for managing workload and compliance

SPEND (Lower / Higher)

- Segmentation Tier thresholds
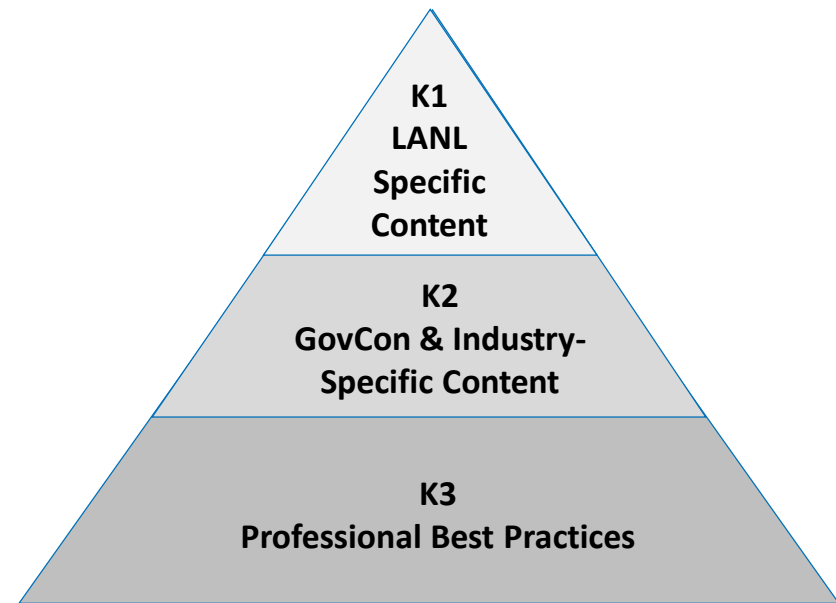 - Tier 1: >$250K (Simplified Acquisition Threshold (SAT))
  - Tier 2: Spend managed by Spend Category
  - Tier 3: >$10K and <$250K (Micro-Purchase to SAT Thresholds)
  - Tier 4: <$10K

- Segmentation Benefits
  - Establishes scale within procurement
  - Enables professional growth and development
  - Focuses talent on skills-appropriate activities
  - Creates onboarding strategies for new talent

ASM's Organization Structure for Transformation

DREW FULLER
Chief Procurement Officer

WARREN FINCH
Deputy Chief Procurement Officer

Chief of Staff

Administrative Assistant

CENTER OF EXCELLENCE
- Category Mgmt.
- Catalog Mgmt.
- Tail Spend
- Spend Analytics
- Process SMEs
- Solution Optimization
- Solution Support
- Technical Training
- Solution Training
- Reporting

SUPPLIER MANAGEMENT
- Small Business
- Supplier Enablement
- Supplier Registration & Qualification
- Reps & Certs Admin.
- Insurance & Bonds
- Supplier Performance Management

MISSION OPERATIONS
- ALD Partnership
- Portfolio Mgmt.
- Strategic Spend (Tier 1)
- Sourcing
- Negotiation
- Administration
- Modifications

SCIENCE, TECHNO. & ENGINEERING
- ALD Partnership
- Portfolio Mgmt.
- Strategic Spend (Tier 1)
- Sourcing
- Negotiation
- Administration
- Modifications

WEAPONS
- ALD Partnership
- Portfolio Mgmt.
- Strategic Spend (Tier 1)
- Sourcing
- Negotiation
- Administration
- Modifications

CAPITAL PROJECTS
- ALD Partnership
- Portfolio Mgmt.
- Strategic Spend (Tier 1)
- Sourcing
- Negotiation
- Administration
- Modifications

PROCUREMENT OPERATIONS
- Tactical Procurement (Tier 3)
- Procurement Desk Admin.
- Sourcing Event Administration
- Ariba Workspace Administration
- P-Card

COMPLIANCE
- Policies and Procedures
- Federal Register Monitoring
- Cost / Price Analysis
- Compliance Training
- CR Reconciliations & Indirect Rate Admin
- File Reviews
- Closeout
- PERT Readiness

New roles require new skills development and training approaches

02 CENTER OF EXCELLENCE

- Spend Analytics
- Process SMEs
- Solution Optimization
- Solution Support
- Technical Training
- Solution Training
- Reporting

04 DIVISION PROCUREMENT

- ALD Partnership
- Portfolio Mgmt.
- Strategic Spend (Tier 1)
- Sourcing
- Negotiation
- Subcontract Administration
- Modifications

05 STRATEGIC SOURCING

- Category Managed Spend (Tier 2)
- Catalog Management
- Spot Buy (Tier 4)

03 SUPPLIER MANAGEMENT

- Small Business
- Supplier Enablement
- Supplier Registrations
- Supplier Qualifications
- Reps & Certs Administration
- Bonds & Insurance Certificates
- Supplier Questionnaires
- Supplier Performance Management

06 OPERATIONS

- Tactical Procurement (Tier 3)
- Cost / Price Analysis
- Procurement Desk Admin.
- CR Reconciliations & Indirect Rate Admin
- Closeout
- Ariba Workspace Administration
- P-Card

07 COMPLIANCE

- Policies and Procedures
- Federal Register Monitoring
- PERT Readiness
- Compliance Training
- File Reviews
- CAR Oversight

K1
LANL Specific Content

K2
GovCon & Industry-Specific Content

K3
Professional Best Practices

TRAINING KNOWLEDGE CATEGORIES

LANL's Selection of SAP Ariba and Fieldglass Solutions

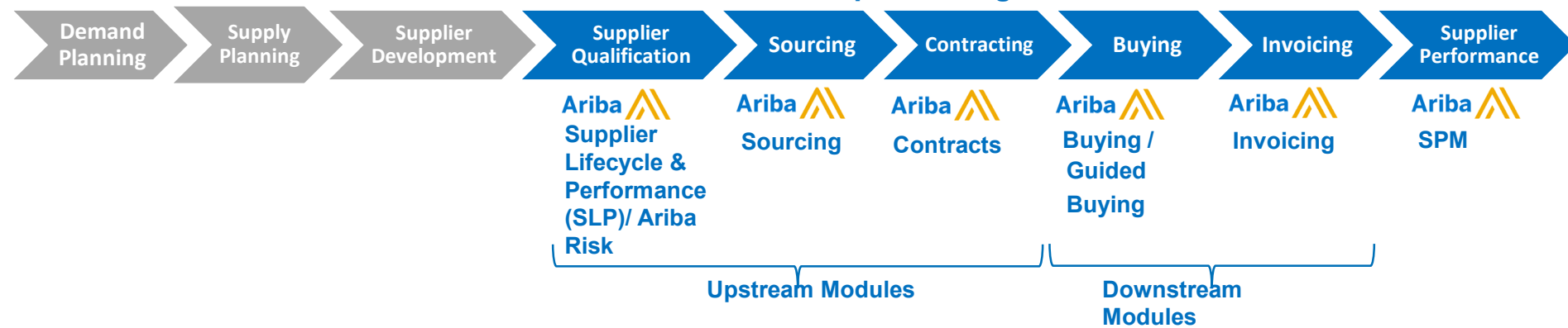| Demand Planning | Supply Planning | Supplier Development | Supplier Qualification | Sourcing | Contracts | Buying | Invoicing | Supplier Performance |

- Identifying Solutions that would support our full transformation included considering the following
  - The requirement for a provider with full Source to Pay modules was a primary driver in our selection process
  - Fieldglass was being utilized in our Contingent Labor current program and LANL managers and suppliers were familiar with it
  - LANL also utilizes SAP's Concur system for Travel Expenses
  - SAP's Ariba Sourcing module being used through the Supply Chain Management Center
  - We wanted to leverage a continuous improvement roadmap for our platforms requiring a mature partner with a strong commitment to customer satisfaction
- Ariba's full Source to Pay Suite offered the features which would meet our business transformation goals

Introducing Ariba: Robust and integrated system to procure goods, services, equipment and materials.

We are implementing these Ariba solutions

Demand Planning	Supply Planning	Supplier Development	Supplier Qualification	Sourcing	Contracting	Buying	Invoicing	Supplier Performance
			Ariba ⋀⋀ Supplier Lifecycle & Performance (SLP)/ Ariba Risk	Ariba ⋀⋀ Sourcing	Ariba ⋀⋀ Contracts	Ariba ⋀⋀ Buying / Guided Buying	Ariba ⋀⋀ Invoicing	Ariba ⋀⋀ SPM

Upstream Modules

Downstream Modules

Ariba will automate the end-to-end procurement process

What are the key process changes with Ariba Upstream?

Ariba ⩘

	Current State	**Future State with Ariba**

Overall

- Upstream work performed on paper and through email, no visibility for customers or suppliers
- Complex procurement policies required end users to have an exhaustive body of knowledge to complete a procurement
- Lack of data to create reporting and metrics for Organizational Management to key KPIs

- Integrated modules from SLP to Contracts provide full visibility into activity at the task level
- Compliance rules built into workspaces with robust task rules
- Out of the box reports support management and strategic decision making

Supplier Lifecycle & Performance

- Supplier registration, qualifications and performance management activities maintained separately outside of current systems
- Lack of an integrated vendor master database
- No independent sources of supplier information to evaluate risk

- Integrated supplier lifecycle and performance management, from registration to qualification & throughout the supplier relationship
- Master vendor database that is integrated with all procure-to-pay activities
- Functionality to receive daily risk information about suppliers

Sourcing

- Lack of category management and strategic sourcing – more transactional based sourcing
- Manual processes to create an RFP and to receive / evaluate supplier responses
- Challenging to find and qualify suppliers to perform needed work at LANL
- Procurement Opportunities website infrequently updated and cumbersome to maintain

- Implementation of category management to optimize sourcing events and
- Automated processes for RFP creation, posting, and collecting/evaluating supplier responses
- Easy access to the right suppliers, allowing for closer collaboration with contracted vendors
- Sourcing content integrated with ProcurementIQ
- Use of Ariba Discovery to meet "Opportunities Posting" requirement

Contracts

- Manual processes required to complete steps to compile and sign contract documents
- Human judgment necessary to determine compliance
- Duplicate entry of information into multiple places

- Automated workflows to complete tasks for contract execution
- Built in compliance with policies automatically applied in transactions
- Integrated external processes and stakeholders within the Contract Workspace – complete visibility
- Utilization of DocuSign to electronically sign contracts
- Automated draft document/ contract generation
- Contract repository automated in Ariba

The integrated solutions and automated workflows in Ariba will provide significant benefits to all users

Supplier Lifecycle Improvements

- **Supplier Registration**
  - SLP allows us to capture data on all suppliers, including potential suppliers, in one place
    - Supplier Request link available on external site allows suppliers to self-identify to do business with us
  - Created new supplier vendor master data to eliminate problems with vendor master in Oracle, including old duplicate records
    - Large effort to get suppliers to complete registration, qualification questionnaires, many steps to get full new supplier record
  - Supplier segmentation – capture of commodity code and small business identification for suppliers within SLP
    - Allows us to identify and utilize our small business suppliers to meet Small Business Spend Commitments
- **Supplier Qualification**
  - SLP Questionnaires support Supplier Qualification
    - Reduces time and effort in individual Sourcing Projects
    - Questionnaire templates are flexible and can be used to capture all info from suppliers through an online format, i.e. banking and pay site info for our ERP, Reps and Certs
- **Supplier Performance Management**
  - Digital surveys and scorecards mapped to KPIs.
    - Ability to involve stakeholders across the lab in the evaluation process.
    - Graded approach to timing and rigor built into the tool
- **Ariba Risk**
  - Provides real time monitoring of Supply Base Risk: Regulatory & Legal, Environmental & Social, Operational and Financial
    - Implemented supplemental data sources from Rapid Ratings, Exiger and FRDM to enhance the information
    - Dashboards present consolidated look at our Supply Chain Risk and Risk by individual Supplier, allowing us to take action when needed

Sourcing Event Improvements

- Visibility into requests allows for optimization of Sourcing Events and opportunities for Savings

- Sourcing Projects built with logic based tasks based on compliance rules – process based consistency in achieving compliance

- Digital RFP process supports all types of RFP needs

  - Various pricing types: FFP, Cost Reimbursement, etc.

  - Various award types, LPTA, Trade-Off, Grading, etc.

- Digital RFP allows for complete capture of all information and communication on the event within the tool – both with internal sourcing teams and suppliers

- Formulas built to automate the calculation of pricing preferences for regional partners

- Integration with Procurement IQ data to include questions for RFPs related to commodity categories

Additional Sourcing Improvements

- Demand Planning
  - Ability to support Demand Planning – utilizing Sourcing Project upload to identify "Planned" projects well in advance and do pre-work and resource planning

- Data Integration
  - Data transfers to Ariba Contracts module for creation and award of contract

- Ariba Discovery used to create "Opportunities" page for Tier 1 and Tier 2 sourcing events and solicit new suppliers
  - Drives competition
  - Addresses gaps in our existing Supply Chain for strategic procurements

Contracting Improvements

- Contract Workspace
  - Full visibility of all existing and in progress contracts supports
    - Proactive management of contracts – expiring POP, funding
    - Workload distribution
  - Standardization of Contract Templates
    - Simplified and defaulted based on contract header in Ariba
  - All stakeholder activities related to the contracting process integrated into the workspace
    - SME reviews – Legal, Quality, Security, Environmental Safety and Health, etc
    - All approvals captured within the workspace
  - Template documents defaulted within the workspace based on tasks and compliance requirements
  - Contract Projects built with logic based tasks based on compliance rules – process based consistency in achieving compliance
  - OOB Ariba features for Master and Sub agreements and accumulation of spend automates management in this area

Additional Contracting Improvements

- Reporting
  - Configured header data to meet complex government reporting needs
  - Provides visibility into special considerations such as – leases, government issued property, IT contracts, Federal Policy considerations, NAICS code, procurement tier
- Official procurement file document repository established
  - Consistent file structure
- Use of DocuSign for Contract Signing
- Eye to the future during implementation
  - Configured to support future implementation of Advanced Contract Authoring

Key Decisions and Impacts

- Redo of Procurement Policies and Procedures and Manual to align with Ariba implementation

- Registration of all Suppliers in SLP
  - Allowed us to create a clean supplier master and obtain detailed data
  - Required heavy LANL resource dedication to chase suppliers through process -

- Manual migration of Contracts and master data on contracts
  - Clean and complete data on our contracts to support reporting
  - Retirement of old contract repository on SharePoint
  - Required external resource support due to volume – 1000+ contracts

- Focus on Creation and Migration of Master Agreements to support Downstream Rollout

- Three month gap between Go Live of Upstream and Downstream to allow for supplier onboarding and contract migration

- Comprehensive Change Management and Training Plan

Moving to a Continuous Excellence Framework

- Upstream live since Feb, 2021; Downstream, June, 2021
- Center of Excellence Support Model
  - COE Staff, partnered with Ariba AMS services and Ariba Best Practice Center, provides support – IT Support for integrations to ERP
  - Governance Structure Implemented for Change Control
    - Change Review Board representing key areas – Tier 1, Compliance, Transformation Office, COE – sponsored by CPO
  - Quarterly Release cycle to begin in Q1 of FY22
    - Coincides with Ariba Quarterly releases to ensure continuous adoption of new features
    - Focused on new projects – i.e. Spend Analytics implementation
    - Concentrated changes in an area of the software to achieve larger business impact and consolidate need for changes in training material and change management – ex. Buying and Invoicing for Q2 FY22
  - Matrixed Solution Optimization Team reports into COE
    - 2 employees per module support emergent issues and minor enhancements
    - Will build depth of knowledge within the Ariba modules

Questions

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